AZ COMPENSATION NETWORK

ADOA C/C Team

Agenda

- Introductions
- Quick Recap from February
- Greg- Flow Chart
- Sheila - Compensation Guidelines
- Mike - Accessing PD's from all agencies???
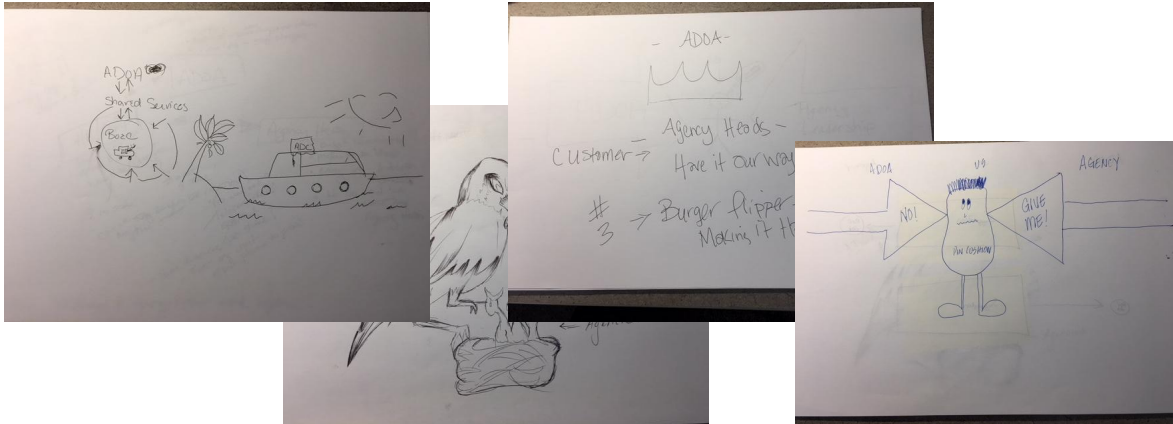- Open Forum

Introductions

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February Recap

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Role Analysis Follow-up from C/C

Vision, Mission, Goals, Strategy

Vision

Respected HUB of compensation knowledge to define, apply and disseminate information about state compensation

Mission

Share Knowledge
Problem Solving
Language Standardization
Consistency
Compliance
Competitiveness (Market Intelligence)
Communication/Network
Communication (Employees/Supervisors)
Communication with all agencies
Education & Communication for Exec Leadership
Tools & Resources
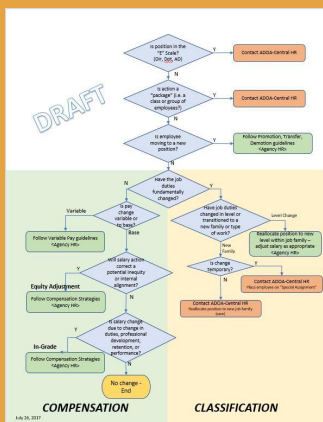Best Practices

Vision, Mission, Goals, Strategy

Goals

Discuss Hiring $ and Compression
Increase Knowledge
Best practices in AZ State Gov. (What are other agencies doing?)
Establish repository of actionable data analytics
Incentives vs raises
Come up with Standards (Specifically, characteristics that should be considered when considering compensation)
Complete Classification PD project (BRING It to the group)
Review guidelines and compare to state law (Explain to lawmakers to make $ changes)
Make it easier (simplify)
Standard Work

Strategy

Meetings (Education for agency staff with C&C duties)
Technology (including contact information, reporting of knowledge & resources)
Establish baseline of knowledge (glossary, tools, comp basics, bulletin board, communications, online resource?)
Comprehensive training for new class/comp HR professionals
We need more compensation training for people who have worked here a long time too
Provide examples of other agency processes that work
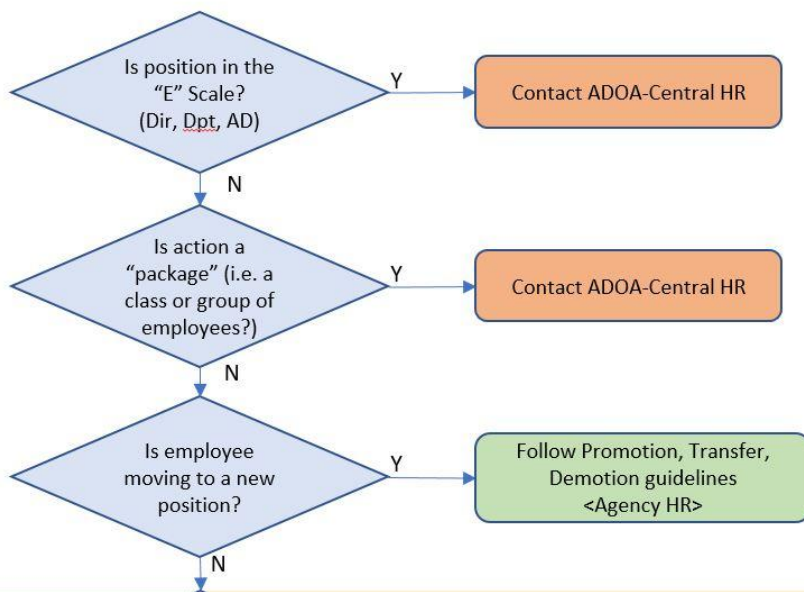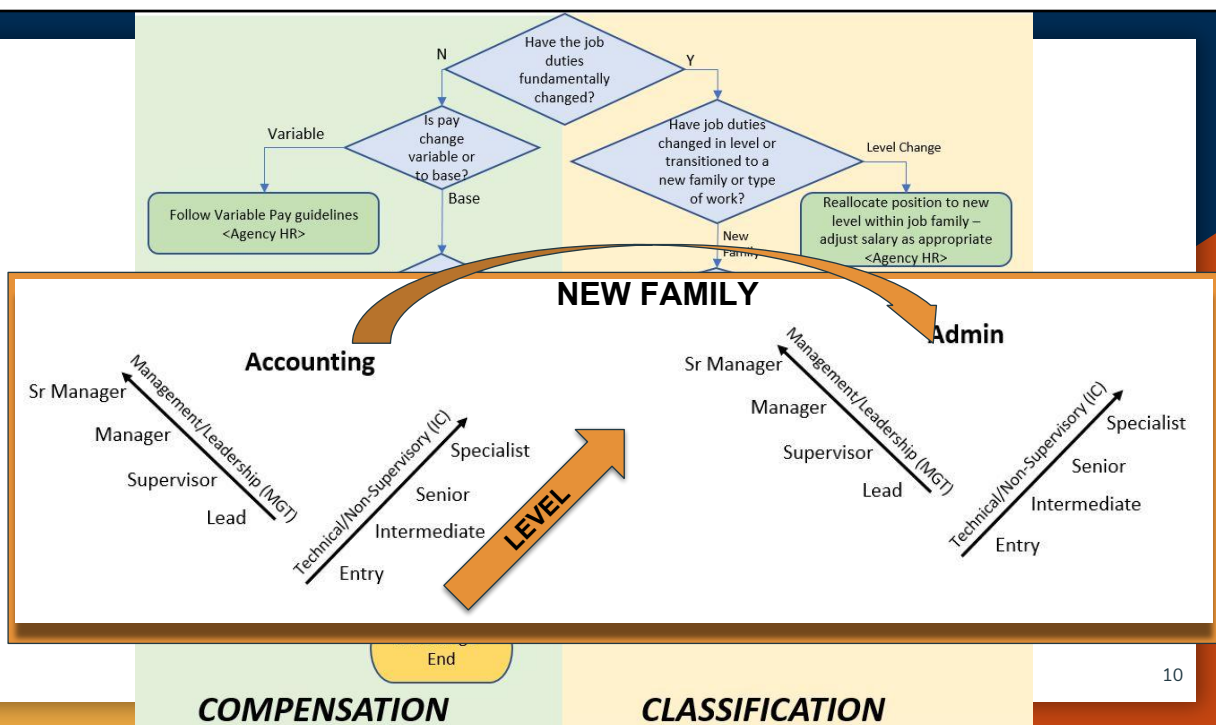"Database" to access with facts and figures-similar position information

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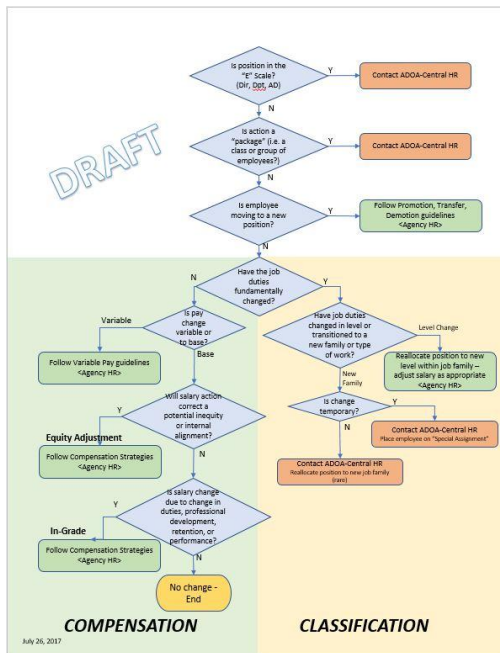# How can I give my employee a raise?

Slide 1

DRAFT

Is position in the "E" Scale? (Dir, Dpt, AD) — Y → Contact ADOA-Central HR

N ↓

Is action a "package" (i.e. a class or group of employees?) — Y → Contact ADOA-Central HR

N ↓

Is employee moving to a new position? — Y → Follow Promotion, Transfer, Demotion guidelines <Agency HR>

N ↓

Slide 2

Have the job duties fundamentally changed? — N / Y

N → Is pay change variable or to base?
- Variable → Follow Variable Pay guidelines <Agency HR>
- Base ↓

Y → Have job duties changed in level or transitioned to a new family or type of work? — Level Change → Reallocate position to new level within job family – adjust salary as appropriate <Agency HR>

New Family

NEW FAMILY

Accounting
- Management/Leadership (MGT): Sr Manager, Manager, Supervisor, Lead
- Technical/Non-Supervisory (IC): Specialist, Senior, Intermediate, Entry

LEVEL

Admin
- Management/Leadership (MGT): Sr Manager, Manager, Supervisor, Lead
- Technical/Non-Supervisory (IC): Specialist, Senior, Intermediate, Entry

End

COMPENSATION **CLASSIFICATION**

DRAFT

Is position in the "E" Scale? (Dir, Dpt, AD) — Y → Contact ADOA-Central HR

N

Is action a "package" (i.e. a class or group of employees?) — Y → Contact ADOA-Central HR

N

Is employee moving to a new position? — Y → Follow Promotion, Transfer, Demotion guidelines <Agency HR>

N

Have the job duties fundamentally changed?

N ← | → Y

Is pay change variable or to base?

Variable → Follow Variable Pay guidelines <Agency HR>

Base

Will salary action correct a potential inequity or internal alignment?
Y → **Equity Adjustment** Follow Compensation Strategies <Agency HR>

N

Is salary change due to change in duties, professional development, retention, or performance?
Y → **In-Grade** Follow Compensation Strategies <Agency HR>

N

No change - End

Have job duties changed in level or transitioned to a new family or type of work?

Level Change → Reallocate position to new level within job family – adjust salary as appropriate <Agency HR>

New Family

Is change temporary?
Y → Contact ADOA-Central HR Place employee on "Special Assignment"

N

Contact ADOA-Central HR Reallocate position to new job family (rare)

COMPENSATION — *CLASSIFICATION*

July 26, 2017

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Compensation Guidelines

Navigating State of Arizona Compensation Strategies

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Compensation Guidelines

What are they?
Where can they be found?
Who has to follow them?
How were they formed?
How are they enforced?

Compensation Philosophy

Externally Competitive, Internally Equitable
Performance matters!
Differentiation ≠ Discrimination
Equity ≠ Parity
Classify the Position, Compensate the Person

Best Practice Point

Based on these compensation philosophy statements, what do you see as a sticking point in your agency?

Please share a "victory" in the class/comp arena as it relates to these phrases?

How did it play out? What worked to make the point that got you to done???

Classification Role

If employees are not properly classified, there is a strong possibility that they are not properly compensated.
Class specs and position descriptions determine market matches

How to Pay $ (Defined)

Base Pay

Variable Pay

Compression

Compression (Defined)

Compression results when market rates outpace the raises given to employees, resulting in the hiring of new employees at higher wages than those already employed by the agency. For some, compression is also an issue when a subordinate or individual contributor starts to bump up against or exceed their supervisor's pay.

Compression Case Study

How Did This Happen?

1. Low/no merit budgets, no base salary increases
2. Subordinate salaries creeping up on supervisor salaries (due to overtime, new hires, no supervisor increase)
3. Employees working two "classes" to get the job done with no increase
4. **No differentiation upon hire**
5. Desire to pay all employees at the same rate

How Do I Fix This? - Theory

1. Look at the market (talk to your recruiters too!!!)
2. Pay attention to FACTS, not opinions
3. Look at other factors to help prioritize your spend
4. Make performance part of the solution
5. Make the case for your targeted employees

How Do I Fix This? - Process

In-Grade Adjustments

Delegated Authority	Shared Services	Elected Official
Typically processed at the agency w/o ADOA review Exceptions; E-scale positions, reserve list	Work with S/S contact to prepare package, implemented by S/S team (Exceptions: E-scale)	Encouraged to follow same guidelines, but must still follow rules. Agency owns fallout from decisions

What Can I Leave "Broken"?

Sometimes it's OK for an individual contributor to make more than their boss

Best Practice Point

Has anyone had this conversation?

Successful? If so, what points helped make it a good outcome?

If not, what would you do differently?

How Do I Keep This From Happening Again?

1. Reviewing new hires as they come into the agency to place them in an appropriate spot based on what is being brought to the table compared to your current internal talent.
2. Reviewing internal equity during staffing changes is a proactive method to keep compression problems from creeping back.
3. Not everyone needs to make the same $$.

Differentiation ≠ Discrimination

Differentiation ≠ Discrimination

Equal Pay Act of 1963 requires that men and women be given equal pay for equal work in the same establishment [29 USC § 206(d)]

When can you differentiate?

1. Seniority System
2. Merit System
3. Incentive System
4. Other factors other than sex/gender

Equity

Equity (Defined)

Equity issues arise when market rates increase drastically for a job class within a short time OR they steadily increase and funds have not been available to provide base pay increases during the time of increased market.

Equity does NOT mean that everyone is paid the same. Equity ≠ Parity.

eq·ui·ty
/ˈekwədē/ ◀))

noun

1. the quality of being fair and impartial.
   "equity of treatment"
   synonyms: fairness, justness, impartiality, egalitarianism; More

par·i·ty[1]
/ˈperədē/ ◀))

noun

1. the state or condition of being equal, especially regarding status or pay.
   "parity of incomes between rural workers and those in industrial occupations"
   synonyms: equality, equivalence, uniformity, consistency, correspondence, congruity, levelness, unity, coequality
   "we strive for a parity of wages"

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Equity Case Study

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How Did This Happen?

Several paths to this issue!

a. Market ra...
b. Market ra... with no $ to grant increases...
c. Move fro... ...ed on performa...
d. Similar to... ...t changes, lack of merit or C...
e. Hiring pr...

How Do We Fix it? (Process) (...and keep it from happening again)

Work with ADOA to determine prevailing market rates

Build a package to apply funds **equitably** to staff

Use **Performance** as a driver for increases

How Do I Fix This? - Process

Equity (Classification Market Adjustment)

Delegated Authority	Shared Services	Elected Official
Present package to ADOA for approval	Present package to ADOA for approval	Present package to ADOA for approval

FIX IT!

Market Compensation

Market Pay and What It Means

Minimum	Midpoint	Maximum
$25,508	$35,201	$44,894
Entry level employee	Fully qualified and consistently performing employee	High performing, consistently exceeding expectations

More Market Information

Minimum	Midpoint	Maximum
$25,508	$35,201	$44,894
Entry level employee	Fully qualified and consistently performing employee	High performing, consistently exceeding expectations

Pay Range Midpoint

Market Midpoint (50th%ile) $33,440-$36,961

How Do You Use Market Data?

Externally Competitive, Internally Equitable

Variable Pay Options

Variable Pay Types

Spot Incentive

Merit-Based Incentive

GOAL

Goal-Based Incentive

Best Practice Point

How have you successfully used Variable Pay to attract & retain staff???

How Do I Apply Incentive Pay? - Process

Incentive Pay

Total agency budget limited to 2%
Combined total for all strategies cannot exceed 10% per EE/FY

Incentive Type	Delegated Authority	Shared Services	Elected Official
Spot	Up to 5% of base salary/EE/FY		
Goal Based	Up to 5% of base salary/EE/FY		
Merit Based	Up to 7% for top tier; no more than 30% of EE's in top tier		

Other Compensation Actions

Changes in Assignment

Considerations at Hire
- Salary to midpoint (higher with documentation)
- Consider current salary of incumbents in the classification at the agency, compared to relative experience of new employee

Promotion
- Salary to midpoint (higher with documentation)
- Consider current salary of incumbents in the classification at the agency, compared to relative experience of new employee

Changes in Assignment

Lateral Transfer
- Salary must be within the range for the class
- No increase unless exception granted by agency Director

Demotion
- Salary must be within the range for the class
- Decrease of <u>at least</u> 2.5% unless exception granted by agency Director

Classify the Position, Compensate the Person

Changes in Assignment

Reallocation
- Salary must be within the range for the class
- Increase of <u>up to</u> 2.5% unless exception granted by agency Director

Special Assignment
- Salary must be within the range for the class
- If temporary assignment is to a higher grade, conditional pay supplement for duration of assignment
- If temporary assignment is to same or lower grade, no conditional pay

Classify the Position, Compensate the Person

PD's for ALL?

Document Management System (DMS)

What is the Document Management System?

Who can access?

Document Management System (DMS)

3 Levels of Access

Local Admin - allows users to view PDs in their own agency

Global Pro - allows users to view PDs in all agencies

Global Admin - allows users to update and/or view PDs in all agencies (this level of access is reserved for ADOA C/C and HR staff in central HR Offices)

Document Management System (DMS)

Requesting Access

Send email to: Mike Hammock - mike.hammock@azdoa.gov
Sheila Krueger - sheila.krueger@azdoa.gov

Include the following:
    EIN
    Level of Access Requested
    Reason for request

Resources

ADOA - Class/Comp page (http://hr.az.gov)
Littler Law firm (Events) (https://www.littler.com/events)

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AZ COMPENSATION NETWORK

Next Meeting
Tuesday, April 17th 1-3pm
ADOA Room 300
Registration will be via TraCor

Questions?